



## **MFM Bulletin: 028-2023**

**Date:** October 25, 2023

**Subject:** Fannie Mae DU Release Updates

Fannie Mae has issued DU Release Notes announcing the following changes, which will be reflected in DU findings with casefiles submitted (or resubmitted) on or after the weekend of November 18<sup>th</sup>. Please note these changes are for Fannie Mae loans only.

### **Maximum LTV Changes**

Fannie Mae has increased the maximum LTV for principal residence 2-4 unit properties to 95%. These changes apply to the standard program guidelines, as well as HomeReady loans.

*These changes will be in effect the weekend of November 18 when DU is updated.*

### **Social Security Message Retirement**

DU findings will no longer show the message "SSN has not been issued or was recently issued". However, SSA-89 form validation will be required if this message is triggered on the Data Verify report.

*This change will be in effect the weekend of November 18 when DU is updated.*

### **Personal Gifts and Gifts of Equity**

Updated policies on personal gifts and gifts of equity to allow an acceptable donor who is also the seller of the subject property to be eligible if they are not affiliated with another interested party to the transaction. Additionally, Fannie Mae expanded the policy to allow gift funds to be sourced from an estate of an acceptable donor or a trust established by an acceptable donor.

*These changes are effective immediately.*

### **Trust Income**

Fannie Mae updated the following requirements related to trust income:

- Added a requirement that funds used from a trust for down payment, closing costs, or reserves must be subtracted from the total funds available to determine if income meets the requirements in Continuity of Income.
- Differentiating treatment of variable and fixed trust payments:



- Variable trust payments require a minimum 24-month history of receipt and must be documented with two years of tax returns.
- Fixed trust payments require a minimum 12-month history of receipt (unless certain conditions apply). If the borrower is unable to document a 12-month history, the trust documentation must reflect:
  - Fixed payments,
  - the borrower is not the grantor of the trust; and,
  - at least one payment must be received prior to loan closing.

In either case, proof of current receipt of the income is required and must be documented with a current bank statement or equivalent documentation.

Lastly, Fannie included a requirement that when eligible employment-related assets are liquidated and placed in a trust within 12 months of the loan's application date, the lender must comply with the policies in Employment-Related Assets as Qualifying Income.

*These changes will be in effect with loan applications dated on or after November 1, 2023.*